

A Work Project, presented as part of the requirements for the Award of a Master Degree in
Management from the NOVA - School of Business and Economics.

**HOW CAN PINGO DOCE PRIVATE LABEL INCREASE ITS SALES IN THE BABY
FOOD CATEGORY?**

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I. Abstract

This Work Project focuses on the baby food category and its main objective is to identify opportunities and challenges that Pingo Doce should address to increase its sales and grow the baby food category in its stores in Portugal. After analysing secondary data, we conducted in-depth interviews which allowed us to develop hypotheses. Then, we assessed the hypotheses through in-store observations. We concluded that one of the main challenges Pingo Doce brand is facing is not being recognized as a trusted brand in the category. Additionally, manufacturer brands in the category are constantly doing price promotions and a small differential in price between the manufacturer brand on promotion and Pingo Doce private label leads respondents to prefer manufacturer brands over private label. To mitigate these challenges, Pingo Doce should have as main target, in the baby food category, the group with more potential of purchasing private label products in the category: children with an older age (more than 2 years) and their mothers who are more willing to take risks (concerning their purchase decisions in the baby food category) and more keen on purchase private labels' products. Moreover, Pingo Doce should continue launching high quality products such as the new 'Bolsa de Fruta' and potentially increase sales in stores.

II. Key Words: Baby food, private label, Jerónimo Martins (JM), Pingo Doce (PD)

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“Challenges are what make life interesting. Overcoming them is what makes life meaningful.” –
Joshua J. Marine

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1. Introduction

In the summer of 2016, I interned at Jerónimo Martins (JM) in the Marketing department of *Pingo Doce* (PD). During this experience, I studied the Consumer Decision Journey in baby food for PD private label, where I saw a window of opportunity for the brand to increase its sales in the category. As such, I selected my research topic as “How can PD private label increase its sales in the baby food category?”.

In Portugal, the baby food market has a limited number of players compared with other product categories. It is controlled by manufacturer brands such as Nestlé and Milupa Blédina (from the Danone Group) who, year to date, account for a joint 78% market value share, respectively 44% and 33% (Euromonitor, 2017). Private labels, such as PD, have also strongly invested in the category, competing with manufacturer brands in ‘Dried’¹ and ‘Prepared’ Baby Food². However, private labels total value share in baby food stood at 6% in 2017, the same value since 2014 (Euromonitor, 2017). The stabilization in market share is also a problem for JM, with its market share below expectation, remaining at 2% since 2013 (Euromonitor, 2017). In order to better compete in the category, in 2014, PD created a commercial retail brand, named *Cuida Bebê*, with products in the categories of baby food and baby personal care. Additionally, many other products in the baby food category are also available in stores under the PD private label.

Taking into consideration the contextual background, this Work Project’s (WP) main objectives are: (1 to provide an analysis of the baby food market in Portugal, followed by an analysis of the baby food category at PD. This analysis, includes a market research to provide further insights; (2 to identify opportunities and challenges which lead to suggestions and recommendations to PD to increase its sales and grow in the baby food category.

Due to confidentiality issues, JM does not communicate recent information on market share. For this reason, important information (such as the PD market share in each product category) is either

¹ Type of food manufactured in a powdered form. A more detailed explanation in section 2.3.2.

² Type of food prepared by manufacturers and ready-to-eat. A more detailed explanation in section 2.3.2.

“not updated” or not available, which constitutes a strong limitation to this WP. Nevertheless, I believe this analysis and subsequent recommendations can add value to PD.

2. Contextual Background

2.1. Manufacturer Brands vs Private Label

2.1.1. Definition

According to Kotler and Keller (2016), a private label brand is a brand developed by a retailer or a distributor. In this WP, both discounters, distributor and retailer brands are considered private label brands. The term ‘private label’ is usually opposed to the term ‘manufacturer brand’ which is a brand managed by a manufacturer such as Nestlé or Danone.

2.1.2. Private Label Strategic Management

Private label’s price strategy is usually set below the manufacturer brands’ prices (Kapferer, 2012). This is possible since costs are reduced mainly because innovation efforts and investments are mostly made by manufacturer brands and private labels replicate manufacturer brands’ successful products. In fact, private label products “are up to 80% defined by the characteristics of the successful product to be imitated” (Kapferer, 2012).

In the traditional approach to marketing, manufacturer brands created new products as a reaction to a need or preference expressed by the consumer. However, in the current times, the line between private label and manufacturer brands is becoming blurred for consumers. Private label brands are just like any other choice among many brands since they can quickly react to the successful product launches from manufacturer brands, producing similar ones (packaging, colours, function and so on) but selling them at a much lower price. This way, consumers are facing high price differences for products perceived as very similar, leading to a “perceived difference in quality between the manufacturer brands and private label much smaller than the price differential” (Kapferer, 2012). In order to justify the higher prices and avoid the decrease in the perceived quality gap, manufacturer

brands must continue launching new innovative products. If they do not do so, they will gradually be replaced by private labels (adapted from da Silveira, 2016).

2.1.3. Evolution of Private Label in Portugal

2.1.3.1. Private Label Growth

The more recent economic times have led to the rise of private label, with prices 30% lower, on average, than manufacturer brands (Kotler, 2017). Regarding private label growth, there are two cases to be considered: the developed markets (such as Europe and North America) and the developing markets (such as Latin America, Asia and Africa/Middle East). In the developed markets, the value share of private label is at or above 15% and as high as 45% in Europe (Nielsen, 2014). Countries with high income per capita such as Switzerland, Germany and United Kingdom, have private label market shares superior to 30% - Switzerland goes even further with 45% (Nielsen, 2014). Hence, one can infer that private label brands are “not a phenomenon linked to low income” (Kapferer, 2012). For consumers in developed countries, private label brands are perceived as real brands, with their attributes of awareness and image combined with an appealing price. In a matter of fact, private label brands account for \$1 of every \$3 in the consumer packaged goods (CPG) of the European Market (Nielsen, 2014).

In Portugal, after a fast growth, private labels’ penetration has been decreasing since 2012 (private labels market share in the Fast-Moving Consumer Goods [FMCG] market was 37% in 2012 and around 33% in 2016). However, in the first quarter of 2017, private label share has started to grow again for the first time since 2012, accounting for 34.5% of total FMCG market sales (Nielsen, 2017).

2.1.3.2. Promotional activity by manufacturer brands

In order to retain their consumers, manufacturer brands go through constant price promotional actions, which purposively blurs consumers. To motivate them to purchase their products, manufacturer brands are constantly changing prices (see Appendix 1). Private label brands are not

able to use this pricing strategy since they do not have the margin flexibility to do so. Nevertheless, if manufacturer brands spend too much of their budget on promotional activities, they may not have enough resources to invest in innovation. This can lead to narrow the gap between manufacturer and private label quality (confront Appendix 2).

Until September 2017, approximately 45% of the value generated in the FMCG market in Portugal was sold on promotion. In fact, 51% of sales of manufacturer brands and 31% of sales of private label was sold on promotion (Nestlé presentation, 2017) with an average discount of 50% for manufacturer brands, approximately. In 2016, 44% of PD's total sales were sold on promotion (Nielsen Retail Panel, 2016).

2.1.4. Discrepancies Between Categories

2.1.4.1. Categories with high and low penetration

Private label's penetration depends on the product category: the success of private label is higher in specific categories, mainly the ones who are commodity-driven, where consumers perceive little differentiation and low degree of involvement (Kapferer and Laurent, 1993). Thus, private label brands thrive when consumers associate no risk to the category (explained in the following section) particularly if they consider the "distributor to have a good reputation and an image of quality" (Nielsen, 2014). In fact, manufacturer brands prosper mainly in sectors where private label brands are weak, such as Make-up (99% manufacturer brands' share), Hair Colourants (98%) and Baby Food (96%) where a higher price is associated to more quality, in the eyes of consumers. The opposite also happens, and sectors such as Cookies (4% manufacturer brands' share), Frozen Vegetables (6%) and Garbage Bags (15%) are dominated by private labels (Kapferer, 2012). Please refer to Appendix 3 for more detail.

2.1.4.2. Consumer behaviour

The higher the perceived risk in a given product category, the lower the probability that consumers will buy a private label. This perceived risk can be stated in various forms: 1) functional risk, when

private label products do not function like the ones offered by a manufacturer brand; 2) financial risk, where the consumer believes that even if the private label is cheaper than a manufacturer brand, the difference in quality between both is significant and buying a private label is considered a ‘waste of money’; and 3) social risk, which occurs when a private label brand is not well accepted in a given community as a social statement (Pandya and Joshi, 2011).

The world has been caught in the middle of a shift due to major disruptive trends regarding consumer preferences and circumstances. In the last years, consumers shop more selectively, combining ‘trading up’ and ‘trading down’ leading to a ‘disharmony of consumption’. This means that consumers make a conscious decision to trade up products and brands in specific categories and then trade down in most of other categories which are not so important for them. The criteria for deciding in which categories to trade up and trade down are both rational and emotional (Silverstein and Fiske, 2005). Finally, consumers are experiencing a ‘green shift’. They see health as a number one concern, creating a new definition of ‘being healthy’ in their minds, where it is important to enhance natural ingredients in the food they look for (da Silveira, 2016). It is important to notice that, in the last years, big players in the baby food category have been heavily investing in healthier offers, while the biggest investment of private labels has been in ‘Dried’ and ‘Prepared’ Baby Food (Euromonitor, 2017).

2.2. Pingo Doce Private Label

The PD brand belongs to *Jerónimo Martins*, a company with a powerful distribution chain in Portugal, Poland and Colombia. JM assumes a strong position in the supermarket segment in Portugal, with more than 400 stores in around 300 locations and is renowned for its expertise in fresh products, meal solutions and private label. In fact, PD private label’s range has assumed an important role in the retailer’s strategy, where 34% of sales in stores are ensured by the private label (JM presentation, 2017). PD private label products are present across different product categories such as packaged foods, beverages, baby food, personal hygiene and others. In 2016, PD was the

second biggest retailer in Portugal with a market share of 26%, falling short only from *Continente* which controlled 27% of the market (Nielsen Homescan, 2016).

Regarding the relation to the store and brand architecture, PD follows a mixed approach, resorting to three different strategies as mentioned in Table 1.




STRATEGY	DESCRIPTION	ADVANTAGES	EXAMPLE	PHOTO
To label the product with the name/logo of the retailer brand	Some specific products only carry the Pingo Doce label without any other sub-brand	Useful to penetrate new categories, thanks to high brand awareness	Pingo Doce yoghurts	
To label the product with the name/logo of the retailer brand and sub-brand for the category	The brand carries not only the Pingo Doce label but also a sub-brand created specifically for its product category	A guarantee of the 'endorsed' brands quality and security since they are associated with a reputable brand	<i>Cuida Bebê</i> brand in the baby personal care and baby food categories	
To label the product with the category own brand and without communication of the retailer brand	In some categories, Pingo Doce private label is hidden but a range brand has been created for a category of products	The brand communicates in a generic manner or/and concentration on the most representative products	Ultra Pro brand in the home care category	

Table 1 – PD's brand architecture strategies (WP's author based on da Silveira, 2016)

2.3. Baby Food Category in Portugal

2.3.1. Baby Food in Portugal / Background

Overall, between 1960 and 2013, birth rates in developed countries declined 45% on average (Nielsen, 2015) leaving a relatively short window for purchasing baby products, such as food. Additionally, consumers in developed countries are more and more concerned with health issues and look for all-natural, minimally-processed foods, primarily when it concerns their babies, portraying guilt for their busy-oriented lifestyles. Thus, value sales in Europe and North America in the category were flat over the 12 months ending December 2014 (+0.1% and -0.1%, respectively), and volume sales also stagnated or declined in many countries in these geographies (Nielsen, 2015). In Portugal, volume sales of baby food declined 2.5% from 2012 to 2014. Yet, the baby food market is changing and in 2017 baby food value sales in Portugal rose by almost 2%, reaching €127

million (Euromonitor, 2017). One of the main reasons for the recent growth of the category is the increase in family confidence levels. This optimism, as a consequence of the economic recovery in Portugal, led to a rise in birth rates. In addition, parents are looking for new and convenient alternatives to feed their babies due to their hectic lifestyles and rising number of working women. Furthermore, the significant shift in distribution of baby food, from pharmacies to hypermarkets and supermarkets, allows convenient one-stop shopping, better prices and leads to a higher trust in brands sold in the mass market. However, in Portugal, private labels value share in baby food stood at 6% in 2017, the same value since 2014.

2.3.2. Baby Food Portfolio

In general terms, the baby food category can be divided into four main sub-categories: Dried Baby Food, Prepared Baby Food, Milk Formula and Others. The following Table provides a detailed explanation of the sub-categories in baby food and major brands operating in each.

SUB-CATEGORY	DESCRIPTION	BRANDS	EXAMPLES
Dried Baby Food	Food manufactured in a powdered form, which is generally prepared with the addition of milk or water (e.g., 'farinha', 'papa').	<ul style="list-style-type: none"> ○ Milupa Blédina (Danone Group) ○ Milfarin (Danone Group) ○ Cerelac (Nestlé) ○ Nestum (Nestlé) ○ Nutribén (Alter SA) ○ Private Label (Continente, Pingo Doce, Auchan etc.) 	
Prepared Baby Food	Food which has been prepared by manufacturers and is ready to be eaten (e.g., 'puré').	<ul style="list-style-type: none"> ○ Milupa Blédina (Danone Group) ○ Cerelac (Nestlé) ○ Naturmes (Nestlé) ○ Nutribén (Alter SA) ○ Private Label (Continente, Pingo Doce, Auchan etc.) 	
Milk Formulas	Milk mixture in a powder form for babies, typically prepared for bottle-feeding to mix with water or other liquid (e.g., 'milk powder').	<ul style="list-style-type: none"> ○ Aptamil (Danone Group) ○ Nan (Nestlé) ○ Nidina (Nestlé) ○ Nutribén (Alter SA) 	
Others	Any other types of baby food (e.g., yoghurts, cookies, etc.).		

Table 2 – Baby food sub-categories and brands (WP's author based on secondary data analysis and observations in-store)

All the sub-categories grew and experienced an increase in sales comparing to previous years (see Appendix 4). The best performing sub-category in 2017 was Prepared Baby Food, where current value sales grew by 3% and total sales now representing €37.44 million.

2.3.3. Brands' Market Shares in Portugal

The baby food category has a limited number of players and international companies present in several categories, such as Nestlé and Milupa Blédina (company from Danone Group) who dominate the market (accounting for 77% of value share). National companies, such as Lactogal and private labels, have low market shares (see Appendix 5 for more detail). Moreover, Alter SA, with its *Nutribén* brand, was the fastest growing player in 2017 mainly due to the change in its distribution channels as, from 2015, the brand became available in retail channels and not only in pharmacies.

Regarding market shares, *Blédina* (from the Danone Group) and *Cerelac* (from Nestlé) are the major brands in the baby food market. Both brands show continuous growth since 2014 and control, respectively, 18.12% and 15.28% of the total market. For a more detailed view of brands' market shares, refer to Appendix 6.

2.3.4. Cuida Bebé and Pingo Doce brands and its Competitors

JM is present in the baby food category using two different approaches: 1) with the *Cuida Bebé* brand and 2) with the PD brand. Regarding 1), in 2014, JM created the commercial retail brand *Cuida Bebé* with the purpose of “creating the idea of security and trust to the mothers and strengthening the emotional bond between Pingo Doce and this target audience” (Sofia Lufinha, previous PD Marketing Director, 2015). An easily recognizable logo was created for *Cuida Bebé*, an owl, which is commonly associated with more rational values such as wisdom, security, protection and responsibility and emotional values, which also reflect the PD brand identity such as integrity, courage and authenticity. *Cuida Bebé* is present in baby food and baby personal care

categories (see in Appendix 7 the entire portfolio of the *Cuida Beb * brand). Moreover, under the 2) PD brand there are other baby food products for older children (please refer to Appendix 8).

Cuida Beb  and PD's main competitor in the baby food category is *Continente* with a market share of 2.44% compared to 2.23% of PD. However, *Continente*'s market share in the category has been decreasing since 2013 (see Appendix 6). Other competitors should be considered such as *Dia*, *Lidl* and *Auchan* private labels as well as other manufacturer brands already mentioned. JM's market share in baby food is not as big as expected, remaining at approximately 2% since 2013. However, one must notice that PD private label grew 0.22% in the baby food category comparing to last year.

3. Addressing the Work Project Objectives

3.1. Methodology

The WP objectives lead us to the following research question: "How can Pingo Doce private label increase its sales in the baby food category?". To address this question, we used a methodology combining several techniques: 1) secondary data analysis divided into: (a) internal data provided by JM and (b) secondary data available in online sources, books and Brand Management course classes; 2) qualitative data collection from in-depth interviews with 20 respondents; 3) in-store observations with an observation grid where 109 observations were made. These techniques were used sequentially. Firstly, we performed secondary data analysis and conducted qualitative in-depth interviews which allowed to develop hypotheses. The hypotheses related to purchase behaviour were then confirmed, or not, through the in-store observations. See Table 3 for more details on sources of evidence used.

Data type	Sample	Original data source	Period of data collection	Additional information
Secondary data		Internal data: JM's presentations, JM's market studies External Data: Online Sources, Books, Brand Management course classes, Other companies' presentations	September of 2017 to December of 2017	
Pre-recruitment questionnaire and in-depth interviews	20 respondents Respondents profile: 20 females, ages ranging from 22 to 44 years old and an average age of 33. The respondents had between 1 and 4 children, with ages between 3 months and 4 years. See Appendix 9 for more detail.	Respondents + Author's notes	15th of October to the 10th of November	The respondents were selected through a pre-recruitment questionnaire ³ . The face-to-face interviews lasted about 30 minutes and were conducted in English. The interviews were directed through an interview guide (see Appendix 10 for the pre-recruitment questionnaire and interview guide) and recorded. In the interview, respondents were confronted with a general question, some direct questions and a projective technique, where three different shopping lists were presented ⁴ . It was asked which 'type of mother' would use each list to do shopping in the supermarket. Please refer to the end of the interview guide, in Appendix 10, for a better understanding.
In-store observations with observation grid	109 observations conducted at 6 different PD stores, all in the Greater Lisbon Area (Telheiras, Bela Vista, Amadora – C.C. Babilónia, Amadora Funcheira, Restelo and S. João do Estoril) from 9 a.m. to 9 p.m. The observed consumers profile can be seen in detail in Appendix 13.	Author	27th of October to the 29th of November	To reduce the 'observer effect' (Saunders et al., 2009), disguised observation was performed ⁵ . The observations took place on a usual store environment, with the purpose of evaluating, with an observation grid, the regular purchasing behaviour of customers. The data collected was manually analysed through the lens of in-depth interview hypotheses

Table 3 - Sources of evidence (adapted from Gioia et al., 2010)

³ Desired respondents profile: parents (male or female) who have children with ages between 3 months and 4 years and responsible for at least 50% of the grocery shopping decisions regarding their child. Parents should have bought baby food in the past 6 months in supermarket/hypermarket and 50% of them must have bought PD private label products, either *Cuida Bebê* or PD brand.

⁴ These shopping lists had the same products except products from the baby food category: (a) the first list had *Nutribén* brand which, some years ago, was only available at pharmacies; (b) the second list had a specific brand that during the interview respondents told me they usually buy; and, (c) the last list had PD and *Cuida Bebê* baby food products.

⁵ Observed consumers are unaware they are being observed and thus behave naturally.

This research approach, called '*Triangulation*', is based on the ideas that (a) multiple methods and data sources are required since every method/data source has its limitations (Denzin, 1978); (b) the triangulation of evidence collected by multiple sources of evidence increase validity of the findings (Eisenhardt, 1989; Patton, 2002; Denzin, 1978).

3.2. In-depth interviews

In-depth interviews allow the researcher to “encapsulate the behaviour, experiences and feeling of participants in their own terms and context” (Malhotra and Birks, 2006) thus making it one of the chosen data collection methods.

3.2.1. Main Insights from the In-depth interviews

3.2.1.1. Purchase Behaviour

After careful analysis, it was possible to identify differences in the purchase criteria between two distinct groups which would lead to different outcomes regarding what they buy. These groups presented a different purchase behaviour according to age and number of children:

Group (A): respondents with more than one child or an only child but with an older age (more than 2 years). Main characteristics: relaxed mothers, willing to take risks concerning their purchase decisions in the baby food category and, therefore more keen to purchase private label if the price differential with manufacturer brands is high.

Group (B): respondents with one child usually of a younger age (up to 2 years). Main characteristics: mothers systematically buy manufacturer brands to feel secured on their choices.

The following quote exemplifies the distinction between the two groups:

"For a person with her first child, I think it is harder to buy a private label rather than a manufacturer brand. I say this for myself because I did not do it [to purchase a private label]. But with the second child, it changed. Now, I am more willing to trust and buy private label products." (37 years-old, 4 children with 7 months, 4, 7 and 10 years-old, Middle/Top Management)

Analysis of Group (A)

Their purchase criteria are sequentially based on: 1) Price and promotions; 2) Engagement with a specific brand they already know and that the child/children like(s).

If a manufacturer brand is on promotion, they commonly calculate the price differential between the manufacturer brand price on promotion and private label price, as the following table exemplifies:

Articles	PVP	Cerelac with 25% discount
Farinha Láctea Cerelac 1kg	5,85 €	4,39 €
Farinha Láctea PD 1kg	3,99 €	3,99 €
Price differential	1,86 €	0,40 €

Table 4 – Example of price differential between a manufacturer brand (Cerelac) and PD private label

Most of the time, a small differential price between the manufacturer brand price on promotion and the private label price leads respondents to prefer manufacturer brands over private label. The subsequent quotes confirm this behaviour:

"Almost every time, I prefer to buy Farinha Láctea PD because it is cheaper, and I already know she (daughter) likes it. However, the other day, Cerelac was on promotion, almost at the same price as the one from Pingo Doce so, I bought Cerelac." (22 years-old, 1 child with 4 years-old, Qualified/Skilled Worker)

"Sometimes I do not buy private label because the other brands are always on promotion and so, they become cheaper. Or just a little bit more expensive than private label but not a significant price difference." (32 years-old, 1 child with 18 months, Qualified/Skilled Worker)

Altogether, Group (A) respondents accept to pay this price differential due to the previous engagement with the brand:

"I think the image we have of some brands, as Cerelac, comes from our parents' time. It is something that has been built since ever. It is hard for private labels to penetrate here. It is like a memory for us." (27 years-old, 2 children with 1 month and 2 years-old, Qualified/Skilled Worker)

"I think private labels can only penetrate if consumers do not have any engagement with brands. We immediately think about brands like Cerelac or Aptamil... And, the difference in price to a private label is not much. So, I do not mind spending more for brands that I know I like." (25 years-old, 1 child with 7 months, Qualified/Skilled Worker)

On the other hand, if manufacturer brands are not on promotion and there is no engagement with a specific brand (making the consumer unwilling to pay more for a specific brand at regular prices), Group (A) respondents will consider purchasing a private label.

Analysis of Group (B)

The majority of the respondents in this group relies on paediatrician recommendations regarding their purchase decisions. As the following quote illustrate:

"When he [son] was little the paediatrician told us to give him Aptamil and Nan. He also mentioned Blédina, Cerelac and Holle. Those were the only ones I considered." (32 years-old, 1 child with 17 months, Specialized Technicians or Small Business Owners)

Price is the second criterion they take into account concerning their purchase decisions. Most of the respondents of this group mentioned that if the paediatrician recommended more than one brand, they would choose among those ones according to their price.

"The paediatrician suggested several brands. We evaluated prices and did a balance between the two factors - paediatrician recommendation and price." (33 years-old, 1 child with 5 months, Employee of Tertiary Sector)

"Nutribén, Blédina and Cerelac, I know they have, more or less, the same amount of sugar. What makes them different for me is the price." (32 years-old, 1 child with 19 months, Qualified/Skilled Worker)

One can infer that, in most cases, respondents from Group (B) never consider a private label since they are not recommended by paediatricians, thus regularly buy manufacturer brands.

To sum up, most of the respondents of Group (A), which would consider buying a private label, are willing to pay the price differential and purchase a manufacturer brand (if the price differential is not too high). Also, many respondents of the same group revealed engagement with a manufacturer brand and willing to pay more for it. Overall, both groups mentioned a systematic preference for manufacturer brands which are perceived as more reliable and a way for parents to feel better with themselves (i.e., less guilty of not giving more natural food to their children).

"People buy manufacturer brands for their children because a baby is a baby. People associate safety and trust to manufacturer brands." (32 years-old, 2 child with 2 and 10 years-old, Housewife)

"I just think manufacturer brands give us more confidence. These brands exist since ever, so we trust them more." (34 years-old, 4 children with 1 month, 2, 4 and 5 years-old, Qualified/Skilled Worker)

However, in the Prepared Baby Food sub-category we observed an exception for this assumption.

The specific article⁶ 'Bolsa de Fruta' in baby pouches (refer to Appendix 11 for a picture of the product and Appendix 8 for its price in PD stores) launched very recently (Fall 2017) by PD, was considered as a favourite among respondents. PD created an appealing product in terms of flavour, packaging and price which many respondents tend to buy and believe to be superior to manufacturer brands' pouches.

"I'm willing to spend more in baby food. However, with pouches it is indifferent. I think all brands are, more or less, the same. I mean, I would say I prefer the one from Pingo Doce" (36 years-old, 2 children with 4 months and 2 years-old, Qualified/Skilled Worker)

"There are things that private label cannot achieve. From cereals to Dried Baby Food, the products do not have the same quality as manufacturer brands. However, with pouches it is indifferent if it is private label or not." (34 years-old, 4 children with 1 month, 2, 4 and 5 years-old, Middle/Top Management)

Furthermore, a significant share of respondents stated that PD/*Cuida Beb * diapers have high quality and low price when compared to manufacturer brands, conveying a purchase preference for this product. A substantial share of respondents mentioned the fact that, most of the times, they go to PD to explicitly buy diapers and, since they are in a supermarket already, they buy other products for their children. Subsequently, PD/*Cuida Beb * diapers are a purchase driver for respondents to shop at PD stores as mentioned in the following quote:

"Pingo Doce diapers are as good as any others. Sometimes, I go to Pingo Doce just to buy diapers and, as I am already there, I buy other things, like food for example, for her [daughter] as well." (36 years-old, 1 child with 18 months', Specialized Technician or Small Business Owner)

Overall, it is possible to infer that if a private label product is considered to be specifically good (i.e. 'Bolsa de Fruta', PD diapers) the previous argumentation regarding the systematic preference for manufacturer brands is revised by respondents. In this case, respondents have an

⁶ The word 'article' is used when referring to a specific product.

exceptional preference for the private label's product since the perceived difference in quality between the manufacturer brand and private label is much smaller than the price differential.

3.2.1.2. Consumer Behaviour

Consumer behaviour is of utmost importance in understanding what respondents are looking for in the baby food category. Among those, the most relevant are:

a) Convenience: The majority of respondents mentioned 'convenience' as a reason to buy Dried and Prepared Baby Food. In fact, respondents mentioned that they look for baby food options which can save them time in hectic situations (i.e. breakfast) or suitable options when they are out-of-home.

"Everything I buy for him [son], except the recommended things by the paediatrician, are things that would help me with the issue of 'going out of home' or something that he can easily eat without too much effort. I'm looking for convenience and if a brand can provide me that, great." (Female, 33 years-old, 1 child with 21 months, Qualified/Skilled Worker)

b) Nutrition and sugar levels: Most respondents expressed concerns about healthy options for their children. However, nutrition and sugar levels were not seen as a top concern. For respondents, these factors may be a reason to prefer a product but not a sufficient factor to buy it, as we can infer by the following quotes:

"I do not like to give him things with a lot of sugar, but I confess it is not a priority for me. I'm not willing to pay more for things with less sugar." (32 years-old, 1 child with 22 months, Specialized Technician or Small Business Owner)

"When I see a new brand, I always look at the sugar levels and if it is lower than usually and has a reasonable price, I might try it." (32 years-old, 1 child with 19 months, Qualified/Skilled Worker)

3.2.1.3. Brand Perceptions

Moreover, we analysed respondents' perceptions regarding both manufacturer brands and private label brands in the baby food category. Some significant features were identified:

a) Quality: There is no consensus regarding the quality of manufacturer brands when compared to private labels. Some respondents believe manufacturer brands have undoubtedly more quality and

others do not. Yet, most respondents who do not attribute more quality to manufacturer brands still resist to buy baby food from private label brands.

"I do not think manufacturer brands have necessarily more quality. They (private labels) are a little bit like generics. We know there is no difference, but we resist anyway." (32 years-old, 1 child with 19 months, Qualified/Skilled Worker)

"The idea I have is that manufacturer brands have indeed more quality than private labels." (37 years-old, 2 children with 14 months and 3 years-old, Specialized Technician or Small Business Owner)

b) Promotional activity from manufacturer brands: The majority of respondents mentioned their awareness for constant promotions from manufacturer brands which affects their purchase behaviour.

"These [manufacturer] brands are on promotion all the time and I already trust them. Why switching to a private label?" (25 years-old, 1 child with 7 months, Qualified/Skilled Worker)

3.2.1.4 Pingo Doce in the baby food category

a) Cuida Bebé Awareness: A significant share of respondents, even the ones who usually buy *Cuida Bebé* or PD private label in baby food or baby personal care, did not recognized the name 'Cuida Bebé'. After showing them the logo, a significant share recognized it.

"Cuida Bebé? I never heard the name." (36 years-old, 2 children with 4 months and 2 years-old, Qualified/Skilled Worker)

"Oh, I already saw this Cuida Bebé logo. It is for younger children, right?" (22 years-old, 1 child with 4s years-old, Qualified/Skilled Worker)

b) Pingo Doce's Brand Image: When faced with the product range from PD and *Cuida Bebé*, most respondents mentioned a positive opinion regarding diversity of PD product portfolio in baby food pouches and the attractiveness of the packaging, but an unfavourable opinion regarding the packaging of Dried Baby Food.

"It looks like there is large variety in pouches compared to other brands, they have a lot of fruit mix. And they look more appealing to kids, with a lot of colours." (34 years-old, 1 child with 17 months, Qualified/Skilled Worker)

"The 'farinha'⁷ packages are like the ones from Cerelac - with the baby and the parents. I think they try to blur customers and pretend they are the same which is a little bit annoying." (33 years-old, 1 child with 4 years-old, Qualified/Skilled Worker)

"I think the packaging is nice. Except 'Farinha', they seem old. Maybe because I'm more resistant to them." (33-years-old, 1 child with 21 months, Qualified/Skilled Worker)

Most of respondents, even without being questioned about it, mentioned PD as their favourite private label when comparing to others, such as *Continente*. Respondents stated the good price/quality ratio of PD products and associated values such as safety and trust to the brand.

"My favourite private label is Pingo Doce. I trust Pingo Doce as much as I trust any other brand." (37 years-old, 2 children with 2 and 4 years-old, Qualified/Skilled Worker)

Overall, our research suggested a pattern regarding respondents' brand image of manufacturer brands comparing to PD private label. On the one hand, most respondents associate the manufacturer brands, such as *Nutribén* and *Cerelac*, to mothers with higher income and/or only one children, who do everything according to 'the rules' (including paediatrician's advice) or have a special engagement with a brand from a long time ago. On the other hand, PD private label is associated to a more relaxed mother with probably lower income and/or more than one child.

"The mother who buys Nutribén makes me remember a really concerned mother with her first child and high income. Everything is a problem for her and Nutribén should be more adequate than any other brand." (25 years-old, 2 children with 3 and 4 years-old, Housewife)

"The one who buys private label might be a mother with a lower income. Or [she] is super relaxed, already has a lot of children and knows everything very well and does not see any problem in giving them private label." (25 years-old, 1 child with 7 months, Qualified/Skilled Worker)

Ultimately, in line with the main insights from the qualitative research, some hypotheses are proposed:

⁷ As mentioned in section 2.3.2., 'farinha' is a type of Dried Baby Food.

1. Purchase behaviour	2. Consumer behaviour	3. PD/<i>Cuida Beb�</i> brand perceptions in baby food
H1.1. Consumers have a previous engagement with specific brands	H2.1. Customers look for convenience when buying baby food	H3.1. PD is the favourite private label in Portugal
H1.2. Constant promotions from manufacturer brands affect customer's purchase behaviour	H2.2. Nutrition and sugar levels is a factor to consider when buying a baby food product but not a sufficient one to buy it	H3.2. Low awareness of <i>Cuida Beb�</i> brand
H1.3. Small differential price between manufacturer brands' price on promotion and private label's price leads customers to prefer manufacturer brands over private label brands		H3.3. PD developed an appealing product regarding 'Bolsa de Fruta' but the same does not applies for other PD baby food products
H1.4. Systematic preference for manufacturer brands except when private labels create a specifically good product		H3.4. Manufacturer brands have more quality than private label
H1.5. Different purchase behaviours according to the customer's number of children and children ages		H3.5. PD baby food products are associated to people with more children, more relaxed and with lower income
H1.6. Paediatrician recommendation followed by price are the main purchase drivers if the customer has only one child or a child at a younger age		
H1.7. PD diapers are a driver to buy baby food in PD		

Table 5 – Hypotheses inferred from the in-depth interviews

3.3. In-store Observations

3.3.1. Structure

To simplify further analysis of data, three observation grids were created, each one corresponding to a baby food sub-category (Dried Baby Food, Prepared Baby Food and Other). These observations grids are divided into 4 main areas of research: 'Demographic Information', 'Approach to the Baby Food Shelves', 'Purchasing Decisions' and 'Observation Notes' (see grids

Appendix 12). The section below analyses the results and assesses (validates or rejects) the purchase behaviour hypotheses.

3.3.1.1. Demographic Information

The Demographic Information included gender and estimation of age of the observed consumers (O.C.) as it were the only two variables perceived without any interaction.

3.3.1.2. Approach to the Baby Food Shelves

The Approach to the Baby Food Shelves section encompasses three important characteristics of behaviour: 1) Overall Approach, 2) Perceived Evaluation Criteria and 3) Decision Time.

1) Overall Approach refers to how the observed consumers approached the baby food section in stores: Did they go immediately to a specific product? Did consumers consider several articles but only within a specific brand? Did they only look at a specific sub-category of baby food products and ignore others? Or/and did costumers consider all baby food products and brands ('assortment')? Furthermore, it was recorded in the respective grid which sub-category was being considered.

2) The 'Perceived Evaluation Criteria' by the O.C. were also considered. We developed a list regarding the stages followed by the O.C. The ones deemed more important consist of: Promotion (in case the O.C. was attracted to the yellow price label and shelf divider that indicates on-going promotions), Price (if the O.C. paid special attention to the article's price), Labelling – Front (in th case of O.C. revealed special interest in the front labelling of a product), Labelling – Back (if an O.C. picked up an article and immediately read the information on its back), Brand (if the O.C.'s attention was caught by any specific brand), Baby's Age (in case the O.C. took into account the recommended baby age in a specific article), Product (if the O.C. went directly to a specific article) and Other (where/when the O.C.'s evaluation criteria was unobservable, such as taking into account the entire assortment or sub-category but not showing special interest in a particular product).

3) Finally, in 'Decision Time' we noted how long did the O.C. took to reach a final purchasing decision, i.e. how long it took to either place a product into the shopping cart/basket or to continue to another area of the store without purchasing any baby food product.

3.3.1.3. Purchasing Decisions and Observation Notes

If the O.C. placed a product in the shopping cart/basket, we noted the brand, product's name, price, the quantities, and if it was on promotion or not. Finally, further annotations deemed relevant to the purpose of the observation were added (e.g., brands on promotion during the observation period). This information was analysed 'a posteriori' and, if relevant, combined with the data collected.

3.3.2. Data Analysis

This section further analyses the 109 O.C. through the lens of the hypotheses on purchase behaviour inferred from the qualitative research. Nevertheless, it is important to notice that some hypotheses, namely from 2. Consumer Behaviour and 3. PD/*Cuida Beb * brand perceptions in baby food, were not able to be assessed through the in-store observations.

H1.1. Consumers have a previous engagement with specific brands

Regarding how the O.C. approached the baby food section in stores, the majority of them considered a specific sub-category and ignored others. However, it is possible to distinguish two different behaviours: 1) on the Prepared Baby Food sub-category, 12 O.C. went immediately to a specific product without considering other brands or products and 2) from the 64 O.C. who approached the sub-category of Dried Baby Food, 26 of them considered several products but within a specific brand (see Appendix 14 for more detail). This behaviour shows how O.C. approach this sub-category already with the intention of purchasing a certain brand without considering others. This confirms the hypothesis of consumers having a previous engagement with specific brands but only in the Dried Baby Food sub-category.

H1.2. Constant promotions from manufacturer brands affect customer's purchase behaviour

The average purchased products per O.C. was 2.4, totalling 259 products bought where 51% were on promotion. In Dried Baby Food, 84 products were purchased where 98% were from manufacturer brands, 57% on promotion. In Prepared Baby Food, 35% from the 129 products purchased were from manufacturer brands, 23% on promotion (refer to Appendix 15 for a more detailed information about purchased products per sub-category). Hence, it is possible to conclude that most products bought from manufacturer brands were on promotion which confirms the above hypothesis.

H1.3. Small differential price between manufacturer brands' price on promotion and private label's price leads customers to prefer manufacturer brands over private label brands

Regarding the total 109 O.C., only 100 of them bought, at least, one product. Though, 64 considered to buy Dried Baby Food, 35 considered to buy Prepared Baby Food and 10 considered other types of baby food (see Appendix 16 for more detailed information about baby food sub-categories consideration for purchase). From the 64 O.C. who considered to buy Dried Baby Food, 29 of them compared the prices of PD private label and other manufacturer brands (such as *Cerelac* and *Nestum*). Even on promotion, the price of manufacturer brands was always higher than PD private label products. However, only 2 of the 33 O.C. who compared prices ended up buying a PD private label product. Thus, one can validate the hypothesis that a small differential price between manufacturer brand's price on promotion and private label's price lead respondents to prefer manufacturer brands over PD private label.

H1.4. Systematic preference for manufacturer brands except when private labels create a specifically good product

It is possible to assume that, in Dried Baby Food, O.C systematically buy manufacturer brands, specially on promotion (only 2% of the purchased products were from PD private label and without any promotion). Regarding Prepared Baby Food, the majority of O.C bought PD private label even

without any promotion (65% of products purchased were from PD private label, 95% of them without any promotion).

However, for a better understanding of the latter fact, a more detailed analysis of Prepared Baby Food purchases was developed (refer to Appendix 17). In this analysis, a division was created between two different type of products purchased within the sub-category: 1) 'Other', where 34 products were purchased, and 2) 'Baby Food Pouches' where 95 products were purchased. In 1), 79% were products bought from a manufacturer brand (47% on promotion and 32% without promotion) and only 21% from PD private label which confirms the systematic preference for manufacturer brands particularly if on promotion. Regarding 2), 81% of baby food pouches were 'Bolsa de Fruta' from PD, where 77% were bought without any promotion. Only 19% of baby food pouches were bought from a manufacturer brand (15% of them on promotion). Therefore, it is possible to validate the superiority of 'Bolsa de Fruta' from PD and consumers' preference for PD private label regarding baby food pouches, even if manufacturer brands are on promotion.

4. Discussion and Main Recommendations to Pingo Doce

From this WP research and according to opportunities and threats identified, recommendations and suggestions can be drawn for PD to increase its sales and grow in the baby food category.

First and foremost, it is important to highlight that the sample for in-depth interviews is not representative since it was chosen by us according to specific criteria: mothers who have children with ages between 3 months and 4 years and responsible for at least 50% of the grocery shopping decisions regarding their child. Moreover, these mothers should have bought baby food in the past 6 months in supermarket/hypermarket and 50% of them must have bought PD private label products, either from *Cuida Beb * or PD brand. Even though this sample does not allow us to take general conclusions about private labels, it does enable to draw conclusions about customers who choose PD to purchase baby food products.

Furtherly, as it is possible to deduce from the research, baby food is considered a high involvement category. Over the qualitative research, a significant part of respondents mentioned that they tend to trade up products/brands for their children, including in the category of baby food, and trade down in other categories which are not so important for them (e.g. *"When it's about our children, the money does not matter. Even if I have to save on other things, for him, I try to buy the best"*).

According to our research, the majority of baby food customers (parents) have a previous engagement with specific brands they already trust and, purchasing and giving them to their children make them feel less remorseful for their busy lives and for not giving all-natural and homemade food to their kids. Accordingly, parents tend to buy more expensive baby food products, diminishing their guiltiness. Private label brands are in the middle market which means they are not considered 'premium'. For this reason, *Cuida Bebé* and PD brand are not considered high-end and customers do not choose to trade up private label's products.

Nevertheless, based on our research, an exception to this assumption occurs when private labels are able to create a specifically good and appealing product, as it happened with 'Bolsa de Fruta' and PD diapers. In this case, customers recognize the superior quality of the private label's product compared with manufacturer brands' products and end up preferring the former. Indeed, 'Bolsa de Fruta' is considered an extremely appealing products by customers to the point that competes with manufacturer brands' products and, even PD customers who do not buy private label brands in the baby food category, purchase this specific product.

Above all, to increase the sales and grow in the category, PD should have as main target in the baby food category the group which showed more potential of purchasing private label products in the category: children with an older age (more than 2 years) whose mothers are more willing to take risks and more keen on purchase private labels' products. Therefore, PD must launch more products for this target and replicate the success of 'Bolsa de Fruta': attractive product in terms of flavour, packaging, functionality, variety and price. An option could be to create a brand for this

target, like *Cuida Beb *, but for older children. This brand should convey the idea, with a logo and mascot, of being the kids' best friend (since older kids are influencers of parents' purchases) and, at the same time, an ally for parents during mealtime, making them feel less guilty and more confident in their choices regarding their children's food.

Likewise, changes are required in terms of packaging in *Cuida Beb * and PD products, namely in 'Farinhas' since it was seriously criticized by respondents in our research and argued as being old-fashioned and as a less successful attempt of replicating manufacturer brands' packaging.

Ultimately, to increase the purchase of PD private label's products in the category, PD should invest in cross-selling. Since PD/*Cuida Beb * diapers are a purchase driver for parents to shop at PD stores, PD could provide, punctually, discount vouchers or 'buy-one-get-one-free' in baby food from PD private label when purchasing diapers. This way, parents who buy PD/*Cuida Beb * diapers for their children will have an incentive to buy both diapers and baby food from PD private label on the following visits to the store.

5. Project Limitations

There were some unavoidable limitations regarding this WP research, although mitigated as much as possible. These limitations related several areas: sample size, time constraints, geographical restrictions and access to data.

The first one was the sample size. Regarding in-depth interviews, the sample size was small (20 interviews) and the interviewees were not representative of the total Portuguese population. In order to obtain more accurate insights in the category, it would have been interesting to interview a broader target, especially in terms of income.

Regarding the in-store observations, the number of observations per hour was low. PD provided me authorization to visit each store on specific days and hours, which limited the possibilities of the in-store observations. Besides, it was not possible to conduct observations and perform interviews in

different regions of Portugal. In future research studies, these limitations can be addressed by having a larger number of observers and interviewers, conducting observations and interviews in a broader geographical area and across a longer period of time.

Another limitation occurred during the observation process. Since no interaction was allowed between the O.C. and myself, the evaluation criteria used could be misunderstood. This means that the evaluation process, developed by me, may not translate the true preferences and choices. Besides, it was not possible to validate all purchase behaviour hypothesis due to this fact. In future research, this limitation could be tackled if the observer, in the end of the decision process, could speak with the O.C.

Furthermore, access to information also limited the WP research. As stated in the introduction, data from panels are either “old” or not available due to confidentiality and data security reasons, which constitutes a strong limitation for this WP. JM does not disclose important information (e.g. brands market shares in each baby food sub-category, PD private label level of promotional activity) and some data would be fundamental for a more detailed analysis and recommendations.

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